

Message Text

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61

ORIGIN NEA-16

INFO OCT-01 EUR-25 ISO-00 CIAE-00 DODE-00 PM-07 H-03

INR-11 L-03 NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03

SS-20 USIA-15 HEW-08 AID-20 CU-05 SCI-06 EB-11 TRSE-00

SAM-01 CIEP-03 COME-00 CPR-02 SY-04 STR-08 AGR-20

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DRAFTED BY NEA/EGY:LWSEMAKIS:PM

APPROVED BY THE SECRETARY

NEA:HNSAUNDERS HEW:LVOGEL

NEA:ALATHERTON

NEA/BNC:MDRAPER

AA/SA:GZIMMERLY

CU/DNEWBERRY

SCI/SA:PHMILY

EB/CBA:JBILLER S/S:WHLUERS

TREASURY:GLPARSKY

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R 072353Z AUG 74

FM SECSTATE WASHDC

TO AMEMBASSY PARIS

AMEMBASSY CAIRO

C O N F I D E N T I A L STATE 172730

E.O. 11652: GDS

TAGS: PFOR

SUBJECT: ECONOMIC ASPECTS OF FAHMY VISIT TO WASHINGTON

REF: (A) CAIRO 5617 (NOTAL) (B) CAIRO 5819

1. EMBASSY PARIS REQUESTED TO CONTACT OMAR SIRRI (CHEF DE CABINET TO EGYPTIAN FOREIGN MINISTER FAHMY) AT CRILLION HOTEL AND PASS FOLLOWING INFORMATION FOR FAHMY'S ATTENTION.

2. USG OFFICIALS ARE DEEPLY INVOLVED IN WORKING OUT AN
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ECONOMIC AGENDA FOR FAHMY'S VISIT. WE ARE GLAD THAT FAHMY IS BRINGING MINISTER OF PLANNING AND IMPORTANT UNDER SECRETARIES CONCERNED WITH AREAS TO BE DEALT WITH IN JOINT COMMISSION WORKING GROUPS. WE HOPE THEY WILL BE IN POSITION

TO MAKE JUDGMENTS ON AGENDA FOR WORKING GROUP SESSIONS OVER NEXT TWO MONTHS. AS FAHMY KNOWS, ABSENCE OF CONGRESSIONAL APPROPRIATION PRECLUDES ANNOUNCEMENT NOW OF U.S. SUPPORT FOR SPECIFIC PROJECTS, BUT WE FEEL THAT PINNING DOWN WORK THAT NEEDS TO BE DONE IN PREPARATION FOR FUNDING PROJECTS AND DEVELOPING OTHER ASPECTS OF U.S.-EGYPTIAN ECONOMIC CO-OPERATION IS A NECESSARY AND IMPORTANT JOB FOR THE PERIOD BETWEEN NOW AND WHEN THE CONGRESS ACTS.

3. WE HAVE PREPARED LANGUAGE FOR A JOINT STATEMENT ON ECONOMIC ASPECTS OF FAHMY'S VISIT WHICH WE WOULD LIKE FAHMY TO CONSIDER. WE WOULD BE PREPARED TO MAKE A SIGNIFICANT DISPLAY OF SIGNING SUCH A JOINT STATEMENT, AND

WE HOPE FAHMY WOULD REGARD THIS AS AN IMPORTANT DEVELOPMENT. WOULD APPRECIATE HAVING HIS REACTIONS AS SOON AS POSSIBLE SO WE CAN PROCEED WITH OUR PLANNING.

4. PROPOSED TEXT AS FOLLOWS:

5. IN KEEPING WITH THE JOINT STATEMENT OF PRINCIPLES SIGNED BY PRESIDENT NIXON AND PRESIDENT SADAT IN CAIRO ON JUNE 14, 1974, AND FOLLOWING UP ON THE FIRST MEETING HELD IN CAIRO AT THAT TIME OF THE JOINT COOPERATION COMMISSION, SECRETARY OF STATE KISSINGER AND FOREIGN MINISTER FAHMY CO-CHAIRLED THE SECOND MEETING OF THE JOINT COOPERATION COMMISSION IN WASHINGTON. THE VISIT OF FOREIGN MINISTER FAHMY TO THE UNITED STATES AUGUST 12-14 PROVIDED AN OPPORTUNITY FOR THE TWO SIDES TO ENGAGE IN A DETAILED DISCUSSION ON THE SCOPE AND RESPONSIBILITIES FOR THE WORKING GROUPS ESTABLISHED UNDER THE JOINT COMMISSION FOR THE PURPOSE OF MOVING RAPIDLY AHEAD ON MUTUALLY BENEFICIAL PROGRAMS IN THE ECONOMIC, SCIENTIFIC AND CULTURAL FIELDS. THERE WAS MUTUAL AGREEMENT THAT MEMBERSHIP, PROCEDURAL RULES AND MEETING SCHEDULES FOR THE WORKING GROUPS SHOULD REMAIN FLEXIBLE AND AT THE DISCRETION OF THE JOINT COMMISSION. IN THIS CONNECTION, THE SECRETARY AND THE CONFIDENTIAL

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FOREIGN MINISTER APPROVED THE ORGANIZATIONAL ARRANGEMENTS FOR COORDINATING ECONOMIC COOPERATION WORKED OUT DURING SECRETARY SIMON'S RECENT VISIT TO EGYPT.

6. BOTH SIDES EXPRESSED THEIR SATISFACTION WITH THE PROGRESS MADE THUS FAR IN IMPLEMENTING MEASURES FOR DEEPENING COOPERATION BETWEEN EGYPT AND THE USA, AND REAFFIRMED THEIR INTENTION TO CONTINUE BUILDING ON THE FOUNDATION ALREADY LAID BY PRESIDENT NIXON AND PRESIDENT SADAT.

7. AT THE CONCLUSION OF THE SECOND JOINT COMMISSION MEETING, THE FOREIGN MINISTER AND THE SECRETARY OF STATE ANNOUNCED A NUMBER OF RESULTS AND CONCLUSIONS.

8. WITH REGARD TO THE WORKING GROUP ON ECONOMIC DEVELOPMENT AND FINANCIAL COOPERATION SET UP DURING SECRETARY SIMON'S VISIT, AND ITS FIVE SUB-COMMITTEES ON INVESTMENT, TRADE, SUEZ RECONSTRUCTION, ECONOMIC DEVELOPMENT, AND AGRICULTURE:

A) USEFUL DISCUSSIONS WERE HELD ON FOUR SPECIFIC AREAS IN WHICH, SUBJECT TO CONGRESSIONAL AUTHORIZATION AND APPROPRIATION, U.S. ASSISTANCE MIGHT BE UTILIZED TO SATISFY URGENT NEEDS IN CONNECTION WITH THE REOPENING OF THE SUEZ CANAL AND REHABILITATION OF THE THREE PRINCIPAL CITIES ALONG THE CANAL: SUEZ CITY, ISMALIA AND PORT SAID.

THESE INCLUDE THE PROVISION OF EQUIPMENT FOR OPERATION OF THE CANAL ITSELF AND FOR INFRASTRUCTURE REBUILDING; WATER TREATMENT AND DISTRIBUTION SYSTEMS; HOUSING; ELECTRIC POWER DISTRIBUTION AND TRANSMISSION LINES. IT WAS AGREED THAT MORE COMPLETE DETAILS ON THESE POTENTIAL AREAS OF ASSISTANCE WOULD BE DRAWN TOGETHER FOR DISCUSSION BY THE SUB-COMMITTEE ON SUEZ CANAL RECONSTRUCTION MEETING AT AN EARLY DATE TO BE MUTUALLY AGREED.

B) EGYPTIAN MEMBERS OF THE JOINT SUB-COMMITTEES ON FOREIGN TRADE AND INVESTMENT WILL MEET IN WASHINGTON AT AN EARLY DATE WITH APPROPRIATE U.S. COUNTERPARTS, INCLUDING OFFICIALS OF THE TREASURY, COMMERCE AND STATE DEPARTMENTS TO DISCUSS MEASURES THAT MAY BE TAKEN TO INCONFIDENTIAL

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CREASE TRADE BETWEEN EGYPT AND THE U.S., AND TO ENCOURAGE U.S. INVESTMENT IN EGYPT. THE SUB-COMMITTEE ON INVESTMENT WILL DISCUSS IN THIS CONNECTION WAYS IN WHICH A PROJECT DEVELOPMENT AGENCY CAN BE ESTABLISHED. THE SECRETARY OF STATE AND THE FOREIGN MINISTER NOTED WITH SATISFACTION THAT U.S. AND EGYPTIAN OFFICIALS WILL BE DISCUSSING THE DESIRABILITY OF NEGOTIATING A DOUBLE TAX TREATY AND OTHER TAX QUESTIONS.

C) THE NEED WAS DISCUSSED FOR A COMPREHENSIVE REVIEW OF EGYPTIAN AGRICULTURE TO PROVIDE THE BASIS FOR A SUBSEQUENT MEETING OF THE SUB-COMMITTEE ON AGRICULTURE. IT WAS AGREED TO UNDERTAKE A JOINT ANALYTICAL STUDY AS SOON AS POSSIBLE TO IDENTIFY CRITICAL PROBLEMS, THEIR RELATION TO AGRICULTURAL OUTPUT AND MARKETING, AND SPECIAL STUDY AND RESEARCH REQUIREMENTS WHICH THE SUB-COMMITTEE COULD CONSIDER AS A MEANS OF DEVELOPING AN EFFECTIVE APPROACH TO INDIVIDUAL PRODUCTION OF MARKETING CONSTRAINTS.

D) IT WAS AGREED THAT THE SUB-COMMITTEE ON ECONOMIC DEVELOPMENT WOULD MEET AS SOON AS POSSIBLE TO REVIEW OVERALL PLANS AND STRATEGY FOR EGYPTIAN ECONOMIC DEVELOPMENT,

DEALING WITH SUCH ISSUES AS SECTORAL EMPHASIS, THE FULL UTILIZATION OF INDUSTRIAL CAPACITY, AND INFRASTRUCTURE PROBLEMS.

9. THE JOINT WORKING GROUP ON TECHNOLOGY, RESEARCH AND DEVELOPMENT WILL MEET IN CAIRO TO IMPLEMENT THE DECISION REACHED AT THIS MEETING OF THE JOINT COMMISSION BY THE FOREIGN MINISTER AND THE SECRETARY OF STATE TO INCREASE TWO-FOLD OVER THE NEXT YEAR THE SCOPE OF THE SCIENTIFIC COOPERATION PROGRAM.

10. A MEETING OF THE JOINT WORKING GROUP ON MEDICAL COOPERATION WILL BE ARRANGED AS SOON AS POSSIBLE IN CAIRO

TO STUDY SPECIFIC PROJECTS AND PROGRAMS ON WHICH U.S. AND EGYPTIAN MEDICAL OFFICIALS CAN COOPERATE. THE SECRETARY OF STATE AND THE FOREIGN MINISTER HAVE AGREED THAT AN OFFICIAL OF THE U.S. DEPARTMENT OF HEALTH, EDUCATION AND WELFARE SHOULD VISIT CAIRO IN THE VERY NEAR FUTURE TO DIS-

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CUSS ISSUES OF MUTUAL INTEREST IN THE MEDICAL FIELD.

11. THE JOINT WORKING GROUP ON CULTURAL EXCHANGES WILL MEET IN CAIRO IN THE NEXT FEW MONTHS TO IDENTIFY EXHIBITIONS AND OTHER CULTURAL ACTIVITIES WHICH COULD BE LAUNCHED DURING THE COMING YEAR. THE FOREIGN MINISTER AND THE SECRETARY OF STATE AGREED THAT THE WORKING GROUP SHOULD DIRECT ITS ATTENTION ON PREPARATIONS FOR PLACING THE QUOTE TREASURES OF TUTANKHAMEN UNQUOTE ON EXHIBIT IN THE U.S. AT AN EARLY DATE. IN ADDITION, IT IS PLANNED THAT A U.S. EXPERT ON CONSTRUCTION AND DESIGN WILL VISIT EGYPT TO ASSIST WITH PLANS FOR THE RECONSTRUCTION OF THE CAIRO OPERA HOUSE.

12. IT WAS AGREED THAT THE SECOND MEETING OF THE JOINT COMMISSION, BY INITIATING WORK ON SUBSTANTIVE MATTERS, SERVED TO BOLSTER THE MOVEMENT ALREADY UNDER WAY TO DEEPEN AND BROADEN THE TIES OF COOPERATION BETWEEN EGYPT AND THE U.S. THE SECRETARY AND THE FOREIGN MINISTER WILL HOLD A THIRD MEETING OF THE JOINT COMMISSION IN WASHINGTON DURING THE VISIT TO THE U.S. OF PRESIDENT SADAT THIS YEAR, AT WHICH TIME THE WORKING GROUPS WILL BE CALLED UPON TO SUBMIT STATUS REPORTS.

13. THE SECRETARY AND FOREIGN MINISTER EXPRESSED THEIR CONTINUING COMMITMENT TO THE FURTHER STRENGTHENING OF US-EGYPTIAN TIES. SIGNED ISMAIL FAHMY AND HENRY A. KISSINGER.

END TEXT.

14. FOR CAIRO: ON THE ECONOMIC FRONT, WE ARE HOPING TO COME UP WITH SPECIFIC COMMITMENTS ON PL-480 WHEAT AND

TOBACCO THAT WE MIGHT ANNOUNCE DURING FAHMY'S VISIT. IN ADDITION, WE WANT TO EXPLORE WHAT CONCRETE STEPS MIGHT BE ACHIEVED IN THE SHORT TIME REMAINING WITH RESPECT TO FUTURE AGRO-BUSINESS ACTIVITIES AND OTHER INVESTMENT. YOU WILL NOTE THAT, IN ACCORDANCE WITH YOUR RECOMMENDATIONS, WE HAVE ENDEAVORED TO MAKE CAIRO THE VENUE FOR A NUMBER OF WORKING GROUPS. WE WILL, HOWEVER, NEED TO BE FLEXIBLE ON THIS MATTER, SINCE THERE ARE SOME FIELDS, E.G., INVESTMENT AND TRADE, WHICH ARE BETTER HANDLED IN WASHINGTON. WE ALSO PREFER TO RETAIN AS MUCH FLEXIBILITY AS POSSIBLE ON CONFIDENTIAL

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U.S. REPRESENTATION IN THE SEVERAL WORKING GROUPS. WE BELIEVE, THEREFORE, THAT OUR INTERESTS ARE BEST SERVED BY RESORTING TO THE GENERAL LANGUAGE ON REPRESENTATION USED

IN THE PROPOSED COMMUNIQUE. THE TERM QUOTE SUB-COMMITTEE UNQUOTE MAY BE REPLACED BY QUOTE SUB-GROUP UNQUOTE IN ORDER TO CONTROL THE PROLIFERATION OF TITLES AND STRATA THAT HAS OCCURRED. WITH REGARD TO CAIRO OPERA HOUSE, OUR CHOICE OF U.S. EXPERT WILL BE INFLUENCED BY EXTENT OF CONTINUED GERMAN INVOLVEMENT, IF ANY. WOULD BE HELPFUL TO HAVE YOUR RECOMMENDATION AS TO EXTENT TO WHICH WE NEED TO CONSULT WITH FRG HERE OR IN BONN BEFORE PROCEEDING TO RECRUIT U.S. EXPERT. ALSO REQUEST INFORMATION ON PHYSICAL CONDITION OF OPERA HOUSE SITE AND STRUCTURAL REMNANTS. MEANWHILE, WE ARE ACTIVELY CONSIDERING WITHIN USG HOW WE CAN EXPEDITIOUSLY RELEASE USG-OWNED EGYPTIAN CURRENCY IN ORDER TO GIVE MOMENTUM TO OUR PARTICIPATION.

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